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7
8 **UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

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10 FEDERAL TRADE COMMISSION,

11 Plaintiff,

12 v.

13 JAMIE L. WHITE,

14 Defendant.
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Case No. _____

**COMPLAINT FOR
PERMANENT INJUNCTION
AND OTHER EQUITABLE
RELIEF**

21 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

22 1. The FTC brings this action under Sections 13(b) and 19 of the
23 Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the
24 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing
25 Act”), 15 U.S.C. §§ 6101-6108, to obtain permanent injunctive relief, rescission or
26 reformation of contracts, restitution, the refund of monies paid, disgorgement of
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1 ill-gotten monies, and other equitable relief for Defendants’ acts or practices in
2 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Trade
3 Regulation Rule entitled Telemarketing Sales Rule (“TSR”), 16 C.F.R. Part 310,
4 in connection with providing order fulfillment services and fraudulent merchant
5 accounts to deceptive telemarketing operations.
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7 **JURISDICTION AND VENUE**

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9 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
10 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a), 53(b), and 6105(b).

11 3. Venue is proper in this district under 28 U.S.C. § 1391(b)(2) and 15
12 U.S.C. § 53(b).
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14 **PLAINTIFF**

15 4. The FTC is an independent agency of the United States Government
16 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the
17 FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices
18 in or affecting commerce. The FTC also enforces the Telemarketing Act, 15
19 U.S.C. §§ 6101–6108. Pursuant to the Telemarketing Act, the FTC promulgated
20 and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive
21 telemarketing acts or practices.
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23 5. The FTC is authorized to initiate federal district court proceedings,
24 by its own attorneys, to enjoin violations of the FTC Act and the TSR and to
25 secure such equitable relief as may be appropriate in each case, including
26 rescission or reformation of contracts, restitution, the refund of monies paid, and
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1 the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2)(A), 6102(c),
2 and 6105(b).

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4 **DEFENDANT**

5 6. Defendant Jamie L. White resides in Utah, and in connection with
6 the matters alleged herein, transacts or has transacted business in this district and
7 throughout the United States.

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9 **COMMERCE**

10 7. At all times material to this Complaint, Defendant has maintained a
11 substantial course of trade in or affecting commerce, as “commerce” is defined in
12 Section 4 of the FTC Act, 15 U.S.C. § 44.

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14 **DEFENDANT’S BUSINESS ACTIVITIES**

15 8. Beginning sometime in March of 2015 and continuing until at least
16 February 27, 2017, Defendant and her associates orchestrated a scheme to provide
17 order fulfillment and payment processing services to telemarketing operations
18 engaged in deceptive practices. Defendant and her associates provided these
19 services to telemarketing operations owned and managed by Carl E. Morris, Jr.
20 and located primarily in and around Phoenix, Arizona (collectively,
21 “Telemarketing Operations”).

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23 9. The Telemarketing Operations deceived consumers by peddling
24 purported opportunities involving Amazon-linked websites and grants, with false
25 promises of substantial income. No consumers generated income through these
26 opportunities. Defendant knew that the Telemarketing Operations were making
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1 these false promises throughout the course of Defendant's participation in the
2 scheme.

3 10. Defendant provided order fulfillment services to the Telemarketing
4 Operations. For consumers purchasing Amazon-linked website opportunities,
5 Defendant used a template to create nominal websites linked to Amazon.com. The
6 websites were practically indistinguishable from each other, did not function in
7 numerous instances, and were not designed to generate the web traffic necessary
8 to provide the promised income.
9

10 11. For consumers purchasing the grant opportunities, Defendant
11 provided purported training material for applying for grants. The training material
12 contained general information and could never lead to successful grant
13 applications because the grants promised to consumers did not exist.
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15 12. In addition, Defendant participated in all of the critical decisions to
16 provide the Telemarketing Operations with straw merchant accounts to process
17 consumer credit card payments for the worthless opportunities. In order to process
18 credit card payments, a business needs a merchant account with an "acquirer" (i.e.,
19 a financial institution that is a member of the card associations, such as
20 MasterCard or Visa). These acquirers have screening and underwriting standards
21 for opening merchant accounts that the Telemarketing Operations could not meet
22 given their deceptive business activity. The straw merchant accounts created by
23 Defendant and her associates enabled the Telemarketing Operations to circumvent
24 these standards by masking the true nature of their business activity from the
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1 acquirers.

2 13. Defendant and her associates obtained the straw merchant accounts
3 by first recruiting individuals to serve as “nominees.” The nominees served as the
4 principals of straw companies in whose names the merchant accounts were
5 opened. Defendant forged financial documents to fabricate corporate histories for
6 the straw companies, and provided these documents to her associates for the
7 purpose of obtaining merchant accounts. Defendant’s associates used these
8 documents, along with the nominees’ personal information (such as address and
9 telephone, driver’s license, and Social Security numbers) and the straw
10 companies’ corporate information, to apply for the merchant accounts through
11 acquirers or their independent sales organizations (“ISOs”).
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15 14. After approval of the applications created by Defendant and her
16 associates, the acquirers or their ISOs opened merchant accounts under written
17 agreements with the straw companies. The written agreements only authorized the
18 processing of credit card transactions between the straw companies and their
19 customers. Defendant and her associates, however, submitted the Telemarketing
20 Operations’ consumer credit card transaction records for processing through these
21 merchant accounts. Defendant also attempted to minimize chargebacks of
22 consumer payments by providing acquirers and their ISOs with misleading
23 information to dispute consumer complaints regarding the worthless opportunities
24 sold by the Telemarketing Operations.
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27 15. The acquirers deposited consumer payments processed through the
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1 straw merchant accounts into bank accounts opened by the nominees in the straw
2 companies' names. Defendant and her associates maintained the credentials to
3 control the funds deposited into these bank accounts.
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5 16. Typically, the nominees were unsophisticated individuals who were
6 not aware that Defendant and her associates used their personal and corporate
7 information to submit merchant account applications, and did not know that the
8 Telemarketing Operations used the merchant accounts to process consumer credit
9 card payments for the worthless opportunities. The nominees received a small
10 percentage of the consumer credit card payments processed through the merchant
11 accounts for their services.
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13 17. On or about May 2, 2016, Defendant and her associates prepared and
14 submitted a merchant account application to CardFlex, Inc. d/b/a Cliq
15 ("CardFlex"), an ISO for BMO Harris Bank, N.A. ("BMO"), using: nominee
16 David Turnbull's personal information; the corporate information for Velocity
17 Solutions LLC, which Turnbull created at the direction of Defendant's associates;
18 and financial documents forged by Defendant. On or about May 3, 2016,
19 CardFlex processed the application and opened a merchant account with Merchant
20 Number ending in 9916. The merchant account operated under a written
21 agreement with Velocity Solutions LLC, BMO, and Priority Payment Systems
22 ("PPS"), a payment processor for BMO. The written agreement authorized only
23 the processing of credit card transactions between Velocity Solutions LLC and its
24 customers.
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1 18. On or about May 18, 2016, Defendant and her associates prepared
2 and submitted a merchant account application to CardFlex using: nominee Ronald
3 Bourgard's personal information; the corporate information for Bay Harbor
4 Associates Inc., which Bourgard provided at the direction of Defendant's
5 associates; and financial documents forged by Defendant. On or about May 20,
6 2016, CardFlex processed the application and opened a merchant account with
7 Merchant Number ending in 3518. The merchant account operated under a
8 written agreement with Bay Harbor Associates Inc., BMO, and PPS, that
9 authorized only the processing of credit card transactions between Bay Harbor
10 Associates Inc. and its customers.
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13 19. On or about June 13, 2016, Defendant and her associates prepared
14 and submitted an application for a merchant account to CardFlex using: nominee
15 Jack Gouverneur's personal information; the corporate information for Bay
16 Harbor Associates LLC, which Gouverneur created at the direction of Defendant's
17 associates; and financial documents forged by Defendant. On or about June 14,
18 2016, CardFlex processed the application and opened a merchant account with
19 Merchant Number ending in 4390. The merchant account operated under a
20 written agreement with Bay Harbor Associates LLC, BMO, and PPS, that
21 authorized only the processing of credit card transactions between Bay Harbor
22 Associates LLC and its customers.
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26 20. On or about June 14, 2016, Defendant and her associates prepared
27 and submitted a merchant account application to CardFlex using nominee Hugh
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1 Hubbard's personal information; the corporate information for Texport Electronic
2 Sales Company, which Hubbard created at the direction of Defendant's associates;
3 and financial documents forged by Defendant. On or about July 1, 2016, CardFlex
4 processed the application and opened a merchant account with Merchant Number
5 ending in 8895. The merchant account operated under a written agreement with
6 Texport Electronic Sale Company, BMO, and PPS, that authorized only the
7 processing of credit card transactions between Texport Electronic Sales Company
8 and its customers.
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11 21. On or about July 27, 2016, Defendant and her associates prepared
12 and submitted a second merchant account application to CardFlex using
13 Hubbard's personal information; the corporate information for Texport Electronic
14 Sales Company; and financial documents forged by Defendant. On or about
15 August 1, 2016, CardFlex processed the application and opened a merchant
16 account with Merchant Number ending in 6433. The merchant account operated
17 under a written agreement with Texport Electronic Sales Company, BMO, and
18 PPS, that authorized only the processing of credit card transactions between
19 Texport Electronic Sales Company and its customers.
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22 22. Defendant and her associates forged the nominees' signatures on
23 each of the merchant account applications identified in Paragraphs 17 to 21
24 ("Applications") and submitted the Applications without the knowledge or consent
25 of the nominees.
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27 23. Each of the merchant accounts identified in Paragraphs 17 to 21
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1 (“Merchant Accounts”) processed consumer credit card payments for the
2 Telemarketing Operations and not the corporate entities named in the Applications
3 or the corresponding agreements with BMO and PPS.
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5 24. Despite Defendant’s efforts to minimize chargebacks, by October
6 2016, CardFlex had notified the nominees that each of the Merchant Accounts
7 were terminated for excessively high chargeback rates (47% for the Merchant
8 Accounts, collectively).
9

10 25. Prior to terminating the Merchant Accounts, the Merchant Accounts
11 processed approximately \$3,074,000 in net consumer credit card payments for
12 deceptive products and services sold by the Telemarketing Operations.
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14 26. Upon information and belief, Defendant and her associates obtained
15 additional fraudulent merchant accounts used to process consumer credit card
16 payments for the Telemarketing Operations, by submitting false applications and
17 causing acquirers and their payment processors to enter into agreements with
18 straw companies.
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20 **VIOLATIONS OF THE TSR AND THE FTC ACT**

21 27. Congress directed the FTC to prescribe rules prohibiting abusive and
22 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
23 U.S.C. §§ 6101-6108. The FTC adopted the original Telemarketing Sales Rule in
24 1995, extensively amended it in 2003, and amended certain provisions thereafter.
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26 16 C.F.R. Part 310.

27 28. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §
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6102(c) and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR constitutes an unfair or deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

29. The TSR prohibits any person from providing substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is making a false or misleading statement to induce any person to pay for goods or services. 16 C.F.R. §§ 310.3(a)(4) and (b) (prohibition against assisting and facilitating).

30. The Telemarketing Operations are telemarketers under the TSR. *Id.* at § 310.2(cc).

31. Except as expressly permitted by the applicable credit card system, the TSR prohibits any person from employing, soliciting, or otherwise causing a merchant, or an employee, representative or agent of the merchant, to present to or deposit into the credit card system for payment, a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant. 16 C.F.R. §§ 310.3(c)(2) (prohibition against credit card laundering).

32. The nominees' straw companies described in Paragraphs 13 to 21 are merchants under the TSR. 16 C.F.R. § 310.2(u).

Count I – Assisting and Facilitating

33. In numerous instances in connection with arranging the opening of merchant accounts, Defendant provided substantial assistance or support to the

1 Telemarketing Operations when Defendant knew or consciously avoided knowing
2 that the Telemarketing Operations were making false or misleading statements to
3 induce consumers to pay for goods or services.
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5 34. Defendant's acts or practices, as described in Paragraph 33 above,
6 violate the TSR, 16 C.F.R. § 310.3(b).

7 **Count II – Assisting and Facilitating**

8 35. In numerous instances in connection with fulfilling consumer orders
9 for purported opportunities involving Amazon-linked websites and grants,
10 Defendant provided substantial assistance or support to the Telemarketing
11 Operations when Defendant knew or consciously avoided knowing that the
12 Telemarketing Operations were making false or misleading statements to induce
13 consumers to pay for goods or services.
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16 36. Defendant's acts or practices, as described in Paragraph 35 above,
17 violate the TSR, 16 C.F.R. § 310.3(b).

18 **Count III – Credit Card Laundering**

19 37. In numerous instances, and without the express permission of the
20 applicable credit card system, Defendant has employed, solicited or otherwise
21 caused nominees' companies to present to or deposit into, the credit card payment
22 system for payment, a credit card sales draft generated by a telemarketing
23 transaction that is not the result of a telemarketing credit card transaction between
24 the cardholder and the nominees' companies.
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27 38. Defendant's acts or practices, as described in Paragraph 37 above,
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1 violate the TSR, 16 C.F.R. § 310.3(c)(2).

2 **CONSUMER INJURY**

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4 39. Consumers have suffered and will continue to suffer substantial
5 injury as a result of Defendant's violations of the FTC Act. In addition, Defendant
6 has been unjustly enriched as a result of their unlawful acts or practices. Absent
7 injunctive relief by this Court, Defendant is likely to continue to injure consumers,
8 reap unjust enrichment, and harm the public interest.

9
10 **THIS COURT'S POWER TO GRANT RELIEF**

11 40. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this
12 Court to grant injunctive and such other relief as the Court may deem appropriate
13 to halt and redress violations of any provision of law enforced by the FTC. The
14 Court, in the exercise of its equitable jurisdiction, may award ancillary relief,
15 including rescission or reformation of contracts, restitution, the refund of monies
16 paid, and the disgorgement of ill-gotten monies, to prevent and remedy any
17 violation of any provision of law enforced by the FTC.

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19 41. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
20 Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief
21 as the Court finds necessary to redress injury to consumers resulting from
22 Defendant's violations of the TSR, including the rescission or reformation of
23 contracts, and the refund of money.
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PRAYER FOR RELIEF

Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and the Court's own equitable powers, requests that the Court:

A. Enter a permanent injunction to prevent future violations of the FTC Act and the TSR by Defendant;

B. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendant's violations of the FTC Act and the TSR, including but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

C. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Respectfully submitted,

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